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H.B. 5225 -- Security deposits in State Elderly/Disabled Housing

Housing Committee public hearing -- March 8, 2012

Testimony of Raphael L. Podolsky

**Recommended Committee action: REJECTION OF THE BILL
UNLESS IT IS REVISED**

C.G.S. 47a-22a is a special statute for residents of State Elderly/Disabled Housing (state public housing for seniors and persons with disabilities) that was adopted in 1979 as P.A. 79-371. H.B. 5225, which amends this statute, declares in its Statement of Purpose that its purpose is to make the statutes uniform concerning "the calculation of interest on security deposits." We do not oppose that portion of the bill. The bill, however, also repeals the requirement that security deposits in State Elderly/Disabled Housing be returned to the resident after one year. Unless this second, undisclosed portion of the bill is removed, we oppose passage of the bill.

(1) Interest rate: When originally adopted, 47a-22a applied the same interest rate to security deposits in State Elderly/Disabled Housing as the law required for other security deposits. That rate was originally 4%, then 5%. In 1993, the rate was changed to an index published annually by the Banking Commissioner. It appears, however, that the 1993 change (and a subsequent change made last year), which amended 47a-21, failed to change 47a-22a. H.B. 5225 makes them the same. We believe that 47a-22a was always intended to have the same interest rate as 47a-21; and for that that reason we do not object to that portion of H.B. 5225.

(2) Return of the security deposit: C.G.S. 47a-22a, however, was always intended to provide a special benefit to residents of State Elderly/Disabled Housing by requiring that housing authorities treat the security deposit as a temporary, quasi-probationary requirement, to be returned to the tenant after one year. This benefit has been in place for 32 years, and there is no good reason now to take it away from seniors and persons with disabilities who live in State Elderly/Disabled Housing. Moreover, because public housing security deposits are small, the impact of 47a-22a is small for housing authorities but much more significant for the low-income seniors and disabled persons who live there. This section should be removed from the bill.

I have attached on the reverse side proposed substitute language to retain the proposed interest rate change but remove the proposed change on the return of the security deposit. The draft also makes a technical change to make clear that the new rates will apply only to months after the effective date of the bill. It also moves the effective date back three months to January 1, 2013, so as to coordinate it with the Banking Commissioner's annual change in security deposit interest rates. January 1 was the effective date last year of P.A. 11-94, which repealed the old 1.5% minimum rate.

(continued on reverse side....)

Proposed substitute for H.B. 5225:

Section 1. Section 47a-22a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2013*):

Any housing authority, community housing development corporation, or other corporation approved by the Commissioner of Social Services for state financial assistance to provide public housing for senior citizens and disabled persons under the provisions of part VI or VII of chapter 128 shall return any security deposit with interest at a rate of not less than four per cent per annum and, on and after October 1, 1982, at a rate of not less than five and one-quarter per cent per annum, and on and after January 1, 2013, at the rate calculated in accordance with the provisions of subsection (i) of section 47a-21, to any tenant who has resided in such housing for at least one year.